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ON THE CURRENCY.



[*Extract of a Letter, addressed to the Editor of THE FARMERS' JOURNAL, and inserted in that Paper on the 12th of June, 1820, containing a short Definition of the above Subject, and wherein this Question, it is presumed; is much simplified and rendered intelligible.*]

SIR,

HERTS, JUNE 1, 1820.

HIS Majesty's Ministers, it appears, are in no way disposed to countenance or support any alteration in the laws respecting either Currency or Corn: they have not yet sufficiently tried their *experiments* upon the country: they cannot so soon "*retrace their steps*." A Committee on the Corn Laws, however, has been obtained; but as Lord Castlereagh has admitted that *his gentlemen* had *received permission* to retire, a future division *may* give a different result; and we may be doomed to endure the evils (if we can) with which we are oppressed, until an accumulation of distress and affliction shall have taught these experimentalists the errors of their present system.

The state of our Currency, however, I consider to be a matter of the greatest importance. In my letter to Mr. H.

Campbell, of the 23rd December last (in your Journal of 31st January), I observed, that "*a large debt and revenue necessarily require a large circulating medium proportionate thereto, as a great amount of taxes, drawn from a diminished and insufficient circulation, would be most seriously and grievously felt by the country; and that a large circulation and revenue necessarily create and require a high price in every article whatever.*" These, Mr. Editor, have been briefly my sentiments upon this subject; but I have hitherto forbore to say more upon it (particularly as it has since been so ably taken up by Mr. Attwood), as it is a question I consider rather out of the province of the agriculturists *alone* to discuss: they are, I conceive, deeply interested in it, but not exclusively so; nor would it become them *exclusively* to interfere; nor politic in them to divide their efforts, by increasing the objects of their pursuit: yet, Sir, as the amendment of our Currency is a matter of the utmost importance, I quite accord with your very respectable correspondent *Beds*, and see no reason why we should not "*go hand in hand,*" for its attainment.

Under this impression, I beg leave to offer a few remarks on the subject of *Currency*: but, Sir, it would ill become me to attempt entering widely upon this question, after the enlarged and enlightened views Mr. Attwood has taken of the subject; I shall, therefore, confine myself to the *minor operations* of our Currency merely, and the exchanges and transfers of property among individuals, without trespassing on the large and extensive field of inquiry which Mr. Attwood has so ably occupied in your columns.

The point to which I shall first beg to bring your attention is, the necessity of a circulating medium proportionate to the taxation of the country, as deducible from the most common every-day transactions among the people. It will be readily seen that part of the price of every thing, malt, sugar, spirits, &c., and even labour itself, is composed of the taxes of the country. In effecting the changes of property, therefore, the

amount of taxes will necessarily accompany them through every transfer that takes place: they constitute a part of the price, directly or indirectly, of every thing which is bought and sold; and that tax is, of course, paid and repaid by every person, in the course of their dealings of every description. If a quarter of malt, for instance, is made, and the tax paid upon it by the maltster is 25s., and he sells the malt to a factor for 75s., he receives 50s. for the malt and 25s. for the taxes he has paid: the factor receives the 25s. as well as the 50s. again from the brewer; the brewer receives it again from the publican; the publican from the consumer; and the consumer, in some way or other, from his customer (the public); for it must first come to him, or he could not purchase, could not consume. Thus every tax is paid and re-paid, over and over, through an endless variety, from one to another; and as taxes are increased, the circulating medium requires a *corresponding enlargement* to effect the necessary transfers and exchanges of property, with the taxes upon them, alternately from each individual in the kingdom, to the other.

To explain simply and clearly the evil effects of reducing the circulating medium, I will *merely suppose* the currency of every description in the country, viz. Bank of England notes, Country Bank notes, bills, &c. to be in total amount 75 millions: I will further suppose, that ALL the varieties of transferable property were, for *a moment*, condensed into ONE *article* for transfer or sale, it would exchange of course for 75 millions; but if the circulation was reduced to 50 millions *only*, the same condensed transferable property could exchange for 50 millions and no more. So, with every article of property which shall constitute a portion of the great mass, will its price be regulated by the proportion it bears to the whole and to the circulating medium. If the price of such article shall be 75s. when the currency is 75 millions in amount, so will the price be 50s. only, when the circulation is reduced to 50 millions.

The evil effect of such reduction I will further exemplify, by supposing the price of the article or commodity in question as before, 75s., including 25s. for the tax thereon, the *cost price* of such article *itself* being as before said 50s.: hence, from any reduction of the currency of the country, suppose one third, such article will be reduced in the same proportion, viz. one third; that is, from 75s. to 50s. Now, as 25s. of the same constitutes the tax thereon, there is *only 25s. remaining as constituting the price of the article itself*. Hence, by reducing the currency one third, taxation remaining the same, the value of all articles taxed one third will be *reduced in price ONE HALF*: instead of 50s. we obtained for the article before, *we now, with a reduced currency, obtain only 25s. for the same*. Under such circumstances, can industry meet “its due reward?” Can the costs of production be repaid? And if they cannot, can it be wondered that so many labourers and artisans are out of employ; that all energy is lost; that industry is paralyzed? Thus, Sir, a reduction of our currency, without a proportionate reduction of taxation, is a grievous, and, I may say, intolerable oppression: a grievance that seriously affects every class; and if it cannot be supported (which, in my humble opinion, it cannot), it must finally subvert all the established relations of society! These are important considerations for every one, and cannot surely be overlooked by the Legislature of the country.

But, Sir, we are here travelling from the point from which we set out; but, with your leave, we will turn about, and take another view of this subject from a different position. Mr. Chambers observes, that “the extensive operations of a single Bank note, as supporting credit, explain what has been an enigma to many, who, without such explanation, could never form a conception as to what was the cause of a daily or weekly plenty or scarcity of money.” And he further illustrates this subject by shewing how many payments are

frequently made by a single Bank note. He says,—“ It may be here necessary to give those unacquainted with money transactions some idea of the extent of credit which the issuing of one Bank note upon discount establishes. To say that a note so issued upon a bill of usance, or sixty days for £1000, forms a credit equal to *sixty* times its amount, would be narrowing its sphere of action; it possibly may reach three hundred times its value; that is, supposing it to pass into five hands in the course of each day (for a Bank note is transferred from hand to hand with the velocity not generally comprehended), it pays at least one bill due each succeeding day, which, at the usance, would alone extend the credit afforded to sixty times its amount; for when once a bill is paid, a fresh one is given for a similar period, and thus the credit is generated.” But, Sir, without going the length of Mr. Chambers, as to what may take place in course of the busy transactions of the metropolis, we will suppose a TEN pound note (a sum more within the *comprehension* of farmers in these times), instead of passing from hand to hand five times a day, or thirty times a week, was to pass in payment only *once* a week, it would effect upwards of 50 payments, or discharge obligations to the amount of £500 a year. Now, Sir, as the Bank issues were at one period (if my recollection serves me correctly) about 33,000,000, and are now reduced to 22,000,000, or perhaps less, there are 11,000,000 less of the *legal tenders* now in circulation than at the former period: but supposing the diminution ten millions only, instead of eleven millions; and as the same argument applies to *ten millions* as to TEN pounds, it is easy to perceive (if the first position be right) that ten millions of currency would have made payments, or discharged obligations, to the amount of 500 millions in one year, *had not such facility been withdrawn*: and how much greater will this defalcation appear when it is considered that a *similar diminution of bills and country bank paper has taken place, as of the LEGAL TENDERS*, the basis on

which they rest. Can it be wondered, then, that stock is lying dead? that commerce and manufactures are languishing and inactive? that agriculture is oppressed? Surely not: the cause is too obvious to be doubted. Thus, Sir, if our circulating medium were reduced to *one million*, this must be so divided and subdivided as to answer all the purposes the 22 millions now do, of effecting the same transfers of property from one to another as at present, and the price, or nominal value, of all property must be 22 times less than it is now; that is, one *shilling* would then go as far as 22s. now: and wheat, consequently, instead of being 9s. would be little more than 4½d. per bushel. It need not be mentioned that in such a state of our currency, we could not support our present taxation, or pay the same rents; and it will be obvious that a reduction of currency, from 30 to 20 millions, *has a tendency* to the same state of things; and that without *a reduction of TAXATION, RENTS, and all FIXED PAYMENTS in proportion*, it will be evident such demands cannot long be answered; that these "*monied obligations*" will cease to be paid.

This, Sir, appears to me the situation in which those who guide our affairs have placed the country: they have laid the axe to the root of our prosperity; they are sapping the very foundation of PUBLIC CREDIT, that stupendous monument of national faith, which has been raised to a towering height unparalleled in any age; which has been reared by time, and cemented by confidence; which has withstood the conflicts of parties, and of armies, and of all the storms of war; which has attracted the attention, and drawn upon it the admiration of surrounding nations; and has stood aloof and inaccessible, the wonder of the world! This stupendous and imposing structure the arbiters of our fate have now attacked; already have they torn and severed from it the chief abutment, the main and only buttress which can support it: it is tottering to its foundation, and still they load it on the top, as if to accelerate its fall: it must fall, and the crash of millions will

add to the terrific scene: the country will be shaken to its centre, and its institutions buried beneath its ruins: confusion will spread to every corner of the kingdom; and it will be well if it is not accompanied by anarchy, misery, and death! Well, indeed, may Mr. Attwood lament, that the "giant intellect" is gone; that "the mind of Mr. Pitt is no more;" and that "his mantle has not descended to his successors."

[The remaining part of this Letter, relating more to the subject of Corn Importations than to Currency, is here omitted.]

NOTE. 1822

The state of the Currency, as referable to *bank paper*, during the time of general prosperity, and before the preparations to resume cash payments were entered into, may be estimated, and which will be found nearly correct, as under—

Bank of England notes in circulation, on the average, not less than £29,000,000

Country Bank notes, ditto, as appears by the number and amount of stamps issued for them, about..... *in one year* 12,000,000

at 3 years
36,000,000
65,000,000 *total* Former amount in circulation... £41,000,000

Present average amount of Bank of England notes in circulation, about £17,500,000

Gold coin in circulation 6,000,000

Country Bank notes, ditto, ascertained as above 2,500,000

10,500,000
24,000,000 *total* Present amount in circulation... £26,000,000

Hence it appears, there is *upwards of one-third* diminution in bank paper alone, and probably still more in the amount of bills of different denominations. The return to a metallic currency at the *old standard* of value has thus necessarily compressed the circulation into the same compass as before the war, whilst

it has been left to sustain the additional burthen and multiplied operation of our enormously increased public debt and revenue, besides all the varied transfers of property and monied obligations of society. The diminution which has thus taken place in the circulating medium of the country, will, it is presumed, if the positions in the foregoing letter are correct, fully account for all the distress and sweeping ruin which is so fatally operating, and which will soon more decidedly develope itself through a large portion of the community. The agricultural, and, in a great degree, the mercantile and other interests, have suffered from this cause, and much of the active and productive capital of the kingdom has been destroyed. But tradesmen, and all the intermediate classes of society, (though not wholly exempt) have comparatively felt as yet but little of the pressure of this gigantic evil:—artificers and mechanics, and also many in a retail way of business, are sustaining the same prices as heretofore; and dealers will only buy at such rate as they can again dispose of at *some* profit. The learned professions also are at present removed from the immediate influence of its destructive operation. The main weight of the depression, therefore, falls upon the *productive classes*. The West India planter, the miner, and the agriculturist of this country, are at present the greatest sufferers by the contractive action upon the Currency; whilst the public annuitant and man of fixed income, is, in an equal degree, benefitted by the measure: a system, however, which thus destroys the productive capital of the country, must, in the end, inevitably destroy itself. It is not necessary here to enter into any dissertation on this subject, as it is presumed the plain good sense and intelligence of the reader, who gives it due consideration, will readily perceive its baneful and destructive effect.

June 25, 1822.

POSTSCRIPT.

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THE Effects predicted in the foregoing NOTE may appear to some to have been falsified by Events: It is not so:—at least they have not been falsified by natural Causes, or in other words, by any tendency in the System, as then in operation, to right itself: But it was effected by a temporary change in the Policy of Government, or rather by some temporary measures and expedients, which, for a time, considerably enlarged the Circulating System of the country. This delayed the anticipated evils, arrested the march of ruin in its progress, and shed again upon the Country a cheering and flattering gleam of prosperity. The Measures which effected this salutary relief occurred almost immediately subsequent to the writing of the foregoing *Note*, and may be stated as follows, viz.:

FIRST—Parliament, in June, 1822, in direct contravention of Mr. Peel's *unfortunate* Bill for returning to Cash Payments, passed an Act to legalize the issue of Country Bank *Small Notes* for eleven Years longer, viz.: till May, 1833, which again gave full scope to the issues of Country Banks, and thus in a great measure relieved the Country from its pressing and appalling difficulties, which had arisen from a contracted circulation, previously and necessarily enforced as a preparation for returning to payments in Specie.

SECOND—The Bank of England, under the authority of Parliament, agreed to lend *Two Millions* per annum to Government, for the purpose of paying off the Pensioners of the Army and Navy.

THIRD—About *Three and a Half Millions* was also advanced by the Bank to Government, to enable them to pay off the

dissenting holders of the 5 per Cents. who refused converting them into 4 per Cents.

FOURTH—*Two Millions* was also lent by the Bank to the East India Company, and about *as much more* on Mortgage to Landowners.

These several issues and advances, being a departure from the line of Policy which was *before* in operation, to effect the return to Cash Payments, produced a corresponding change in the aspect of our affairs, as they tended most materially to increase the Circulating Medium of the Country; to raise the Prices of Property, and to lift it above the pressure of the Public Taxes, the Debts and Monied Charges which rest upon it: It also enabled all classes for the last two or three Years to meet their engagements; restored confidence between man and man; gave life and spirit to Industry in every branch, and to the Country a gratifying but short-lived prosperity.

Unfortunately, this state of things has passed, or is now passing away; it was the effect of temporary measures only, and therefore could have only a temporary duration. If Government had acted upon the principle of giving an *adequate and permanent* Currency to the Country, distress would have been now unknown, and every class would have been contented, prosperous and happy. But their endeavour to restore a Metallic Currency on the *Old Basis* has a directly contrary effect: It has been *partially* accomplished, but so changed are the circumstances of the Country, that its *completion* is an impracticable measure, and distress has followed close upon the heels of every attempt to effect it.

Gold cannot, for any length of time, be retained in the Country as a Currency at the same time with an enlarged Paper Circulation and high Prices; and it hence follows, that a diminished Circulation and low Prices (however high the public burthens), are essential to its existence, as a part of the Currency of England.

The natural consequence, therefore, of the enlarged Paper Issues before mentioned, was the export of our Specie, which had taken place to a very considerable extent, when the Bank of England, in the last Autumn, found it highly expedient to curtail their Issues, by reducing their Discounts, and limiting their accommodations; this created considerable Mercantile difficulties, which soon spread in their effects, and ultimately produced the extraordinary panic we have so lately witnessed: But if this panic had not taken place, still the same difficulties would nevertheless have occurred, with this only difference, that they would have crept in upon Society in a more slow and progressive manner.

To obviate the consequences which have thus been produced, the Bank of England have again increased their issues, by lending accommodations to Merchants on their Goods, and by the re-issue of *One Pound Notes*: But this will have only a temporary effect; the ruin is only stayed, not averted, as a subsequent contraction must soon necessarily follow, to prepare for the general resumption of Cash Payments in Three Years. Palliative measures may again be resorted to, but such vacillating—such temporizing and miserable policy will ultimately destroy the confidence and credit of the Country, break up the active Capital of the Kingdom, and in the end lay prostrate the Institutions of the Country in the general ruin.

The CURRENCY is a matter in itself the most important, as affecting the welfare of every class of the community: It is the very life blood of Society: It is the mighty Engine by which the whole industry of the Kingdom is set in motion, and whereby all the operations of life are kept in action. Plenty of Money or Currency has uniformly produced a general elevation of prices, which have necessarily given increased means to every class, and promoted industry in every branch; and with the increased burthens of the Country, given the increased means to support them. It is when the Monied means of Society are removed, that the fixed

Monied debts and obligations, public and private, become oppressive and insupportable. An increase of Money and of Prices again releases the Country as from a thralldrom. It is only when the general range of Prices fall below the general range of Expences and Monied charges of every kind, that industry becomes paralyzed: It is the contractive action upon the Currency that causes Distress, for it becomes no longer equal to the duties it has to discharge: It is, in fact, the attempt to return to *CASH PAYMENTS at the Old Mint Standard*, with the immensely increased Public Debt and Monied Charges still upon our heads, and to force the Circulation into the narrow limits such Standard imposes, which has caused all the distress and misery we have experienced, and that has spread ruin into every corner of the Kingdom. If we return to the Currency of 1792, we must return to the Values and Prices of 1792; but we cannot return to the taxation of 1792, and to the same Monied charges of all kinds which existed at that period; and if we cannot do this, it is the height of folly and injustice to endeavour to force back upon the country a state of Currency unfitted to the increased dimensions of the Public Burthens, and Public Wants, and to cut down the Prices of Property below the level at which it can discharge the high Monied obligations which rest upon it.

Every attentive observer of the changes our Currency has of late years undergone, will have seen that a corresponding fluctuation in the prices of Property has invariably accompanied those changes at every step: While the general mass of the population, looking only to external causes, have attributed these variations in the value of Property, and the alternate periods of Prosperity and Adversity, to WAR and to PEACE, and to every cause but the just and true one:—and even Ruin has been (on high authority), attributed to over-production and over-abundance—to over-trading and over-speculation; but never to its truly legitimate one, the error of Legislation! That *War* or *Peace* (those paramount causes in the eyes of many), have never, in themselves, been the

occasion of such fluctuations, may be seen by the following statement of the average Prices of Wheat in each period of War and Peace, during the last Century, viz. :—

YEARS.	Average Price of Wheat per Qr.		
	£.	s.	d.
1698 to 1701—Peace	-	2	12 6
1702 to 1712—War	-	2	4 10
1713 to 1739—Peace	-	2	0 4
1740 to 1748—War	-	1	15 5
1750 to 1756—Peace	-	1	18 8
1757 to 1763—War	-	2	2 4
1766 to 1774—Peace	-	2	5 9
1775 to 1783—War	-	2	3 2
1784 to 1793—Peace	-	2	6 7

It must be evident, from the foregoing Statement, that War has never, on former occasions, had any influence in the raising of Prices; it would therefore be an unfair presumption, and certainly and erroneous conclusion to suppose that it had on the last one. During former Wars, Prices rested upon a steady and invariable Currency; but the last War was carried on under the Bank Restriction Act, and a general expansion of the Paper System, and Taxes and Prices advanced in a ratio with it's increase.

The average Price of Wheat in 1792 was 43s. per Quarter: the War commenced in 1793, and enormous Loans were successively contracted for. The following are the average of succeeding Periods, viz:

From 1794 to 1800, average of Wheat per Quarter,	69s.
1801 to 1810, Ditto,	- - 82s.
1810 to 1813, Ditto,	- - 110s

This advance was evidently the effect of a depreciation in the value of Money, from the increased issues and general expansion of the Currency, set free from the metallic Standard.

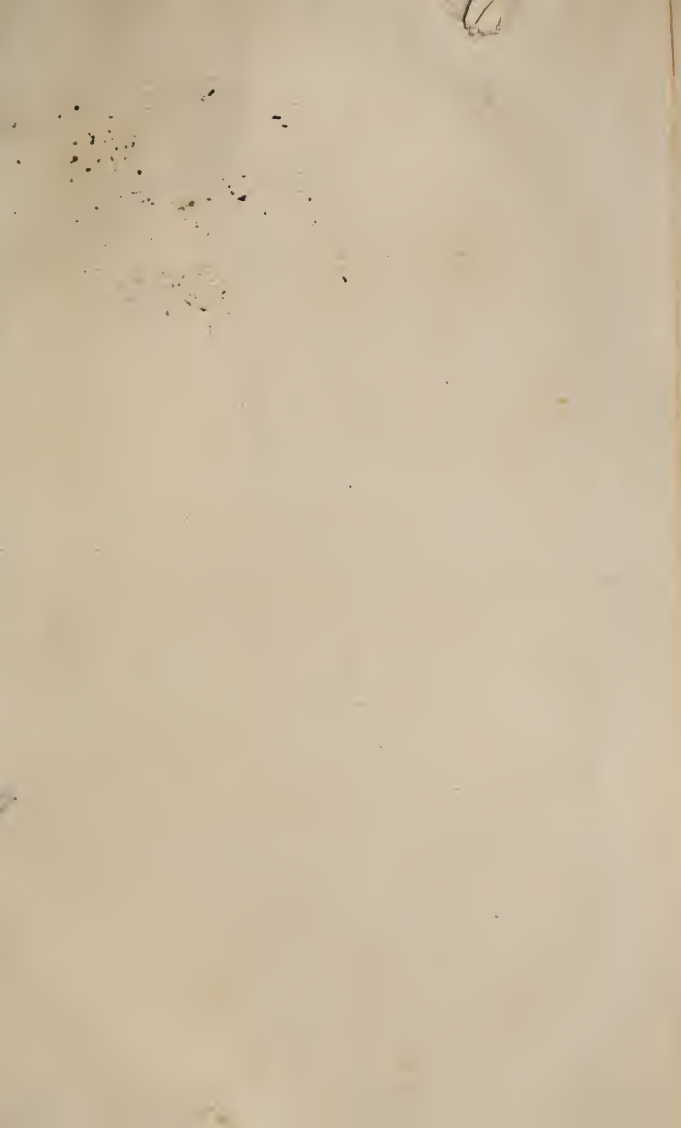
Yet the Country continued to flourish, because it's means were above it's wants. In 1815 and 16, a contraction of the Currency was effected to prepare for the return to Cash payments after the Peace, and great distress ensued. In 1817 and 18, another Loan and large issues of Paper took place to wind up the Expences of the War, and prosperity again appeared. In 1819, 20, 21, 22, another Contraction was made to carry Mr. Peel's Bill into effect, and general distress and ruin was the consequence. In 1823 and 24, increased issues came, and again afforded relief; and in the Autumn of 1825 another Contraction occurred, and another period of distress of panic and of ruin as readily followed: Enlarged issues have again taken place to relieve it, and another Contraction must speedily follow to prepare for the general return to Cash Payments (Ireland and Scotland exempted) in three Years, and further scenes of misery and ruin will inevitably be the result. When are we to see the end of this vacillating and ruinous Policy, which promotes and encourages Industry one day and scourges it the next? Have we not had enough of expansions at one time and contractions at another! Of prosperity in the beginning of the Year and of ruin in the end?

Yet, in the face of these extraordinary changes, and the repeated warnings they have afforded, Government has again rashly recommended, and Parliament as blindly adopted the resolution of returning to a Gold Currency at the Old Mint Standard, however unfitting it has been found to the present wants, to the obligations, and even to the necessities of Society. It is here once more unequivocally repeated, that the present circumstances of the Country, it's Public Debt, and every Species of Monied obligation, which have mostly been contracted in a Currency of different value, do not admit of the returning again to that limited Circula-

tion, and higher value of Money, which a Gold Currency at the Old Standard must necessarily impose, without bringing with it another period of difficulty and distress, of ruin and of wretchedness, in a still more aggravated form than it has yet been our misfortune to behold.

May 29th. 1826.

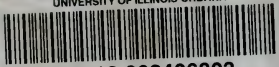
N. B. The Postscript, which is of
more recent date, has recent events,
is more particularly, fruit acceptably
and to your notice & consideration







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